

VILLAGE OF SOUTH ROCKWOOD
Monroe County, Michigan
58-5050
ANNUAL FINANCIAL REPORT

June 30, 2004

Auditing Procedures Report

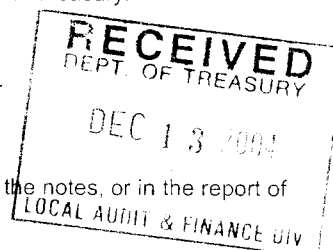
Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF SOUTH ROCKWOOD	County MONROE
Audit Date 06/30/04	Opinion Date 10/19/2004	Date Accountant Report Submitted to State: 12/10/2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) COOLEY HEHL WOHLGAMUTH & CARLTON CPA'S, PLLC			
Street Address ONE SOUTH MONROE STREET	City MONROE	State MI	ZIP 48161
Accountant Signature <i>Cooley Hehl Wohlgamuth & Carlton</i>		Date	

VILLAGE OF SOUTH ROCKWOOD

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Independent Auditor's Report

Village Council
Village of South Rockwood
Monroe County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of South Rockwood, Monroe County, Michigan as of and for the year ended June 30, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of South Rockwood, Monroe County, Michigan management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of South Rockwood, Monroe County, Michigan as of June 30, 2004, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, Statement No. 38, *Certain Financial Statement Note Disclosures and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* as of July 1, 2003. This results in a change in the format and content of the basic financial statements.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 40 through 42, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Village Council
Village of South Rockwood

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of South Rockwood, Monroe County, Michigan basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cooley Hehl Wohlgamuth & Carlton

October 19, 2004

VILLAGE OF SOUTH ROCKWOOD

Management's Discussion and Analysis Year Ended June 30, 2004

This section of the Village of South Rockwood's annual financial report presents our discussion and analysis of the Village's financial performance during the fiscal year ended June 30, 2004. Please read it in conjunction with the Village's financial statements, which immediately follow this section. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the Village's revenues and expenditures by program for the General Fund, Special Revenue Funds, Capital Projects Fund, Internal Service Fund, and Proprietary Funds.

The Governmental Accounting Standards Board (GASB) adopted this reporting model in *Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued June, 2000. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. GASB Statement No. 34 permits the omission of comparative information in the first year of adoption of the new reporting model and, considering the financial resources necessary to prepare the comparative information for the prior year, the Village has elected to exclude the information in this report. Subsequent reports will include comparative information.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Village of South Rockwood financially as a whole. The ***Government-Wide Financial Statements***, which include the Statement of Net Assets and the Statement of Activities, provide information about the activities of the Village as a whole and presents both a short-term and a long-term view of those finances. The ***Fund Financial Statements*** provide the next level of detail. For governmental activities, these statements explain how services were financed in the short-term as well as what remains for future spending. The ***Fund Financial Statements*** report the Village's operations in more detail than the ***Government-Wide Financial Statements*** by providing information about the Village's most significant funds - the General Fund, the Local Street Fund, Sewer and Water Funds, and the Equipment Fund. The following summary illustrates how the various parts of this annual report are arranged:

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

Government-Wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

*Budgetary Information for Major Funds
(Required Supplemental Information)*

Other Supplemental Information

VILLAGE OF SOUTH ROCKWOOD

Management's Discussion and Analysis *Year Ended June 30, 2004*

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities (pages 10-12), which appear first in the Village's financial statements, report information on the Village as a whole and its activities. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two government-wide statements report the Village's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the Village's financial health is improving or deteriorating. The relationship between revenues and expenses indicates the Village's operating results. One must consider many other non-financial factors, such as the quality of the services provided and the safety of the public to assess the overall health of the Village.

The government-wide financial statements of the Village are divided into two categories:

Governmental activities – Most of the Village's basic services are included here, such as the police, inspection, planning and zoning, public works, sanitation and recycling, recreation, streets, cemetery and general administration. Property taxes, state-shared revenue and charges for services provide most of the funding.

Business-type activities – The Village charges fees to customers to help it cover the costs of certain services it provides. The Village's sewer and water systems are treated as business-type activities.

Fund Financial Statements

The Village's Fund Financial Statements (pages 13-20) provide detailed information about the most significant or "major" funds - not the Village as a whole. Some funds are required to be established by State law and by bond covenants. However, the Village establishes other funds to control and manage money for particular purposes or to show that it is properly using revenues. The Village's two types of funds, governmental, and proprietary, use different accounting approaches as described below:

Governmental funds - Many of the Village's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Village and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation format in the financial section on pages 14 and 16.

VILLAGE OF SOUTH ROCKWOOD

Management's Discussion and Analysis *Year Ended June 30, 2004*

Proprietary fund – Proprietary Funds are used to account for services provided by the Village where the Village charges customers (whether external or internal) for the services it provides. These funds use accrual accounting; the same method used by private sector businesses. The Village maintains two different types of proprietary funds: enterprise and internal service. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its sewer and water services. An internal service fund is used to accumulate and allocate costs internally among the Village's various functions. The Village uses an internal service fund to account for its equipment rental activity. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of the Village as a whole. Table 1 provides a summary of the Village's net assets as of June 30, 2004:

Table 1:

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 801,005	\$ 344,445	\$1,145,450
Capital assets, net	<u>398,367</u>	<u>4,620,666</u>	<u>5,019,033</u>
Total Assets	1,199,372	4,965,111	6,164,483
Current and other liabilities	23,852	33,970	57,822
Long-term liabilities	<u>74,657</u>	<u>1,709,467</u>	<u>1,784,124</u>
Total Liabilities	<u>98,509</u>	<u>1,743,437</u>	<u>1,841,946</u>
Net Assets			
Invested in capital assets, net of related debt	358,485	2,911,199	3,269,684
Restricted for drug enforcement / education	4,099	-	4,099
Unrestricted	<u>738,279</u>	<u>310,475</u>	<u>1,048,754</u>
Total Net Assets	<u>\$1,100,863</u>	<u>\$3,221,674</u>	<u>\$4,322,537</u>

As depicted in Table 1, the Village's net assets were \$4.3 million at June 30, 2004. Of this amount, a positive \$1 million was unrestricted. This amount represents the *accumulated* results of all past years' operations. The unrestricted net asset balance is used for working capital and cash flow needs as well as to provide for future uncertainties. It means that if we had to pay off all of our bills *today*, including all of our noncapital liabilities we could with our current resources. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Village as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net assets for the fiscal year ended June 30, 2004.

VILLAGE OF SOUTH ROCKWOOD

Management's Discussion and Analysis
Year Ended June 30, 2004

Government-Wide Financial Analysis - Concluded

Table 2:

Changes in Net Assets Year Ended June 30, 2004

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues			
Program revenues			
Charges for services	\$278,253	\$247,582	\$ 525,835
State grants	<u>116,201</u>	<u>-</u>	<u>116,201</u>
	394,454	247,582	642,036
 General revenues			
Property taxes	401,110	-	401,110
State Grants	114,453	-	114,453
Other general revenues and transfers, net	<u>(109,688)</u>	<u>159,671</u>	<u>49,983</u>
	<u>405,875</u>	<u>159,671</u>	<u>565,546</u>
 Total Revenues	800,329	407,253	1,207,582
 Functions/Program Expenses			
Legislative	\$ 8,652	\$ -	\$ 8,652
General government	193,662	-	193,662
Public safety	234,874	-	234,874
Public works	316,543	-	316,543
Recreation and Cultural	69,459	-	69,459
Other	15,194	-	15,194
Sewer	-	205,759	205,759
Water	<u>-</u>	<u>192,791</u>	<u>192,791</u>
 Total Expenses	<u>838,834</u>	<u>398,550</u>	<u>1,236,934</u>
 Increase (Decrease) in Net Assets	<u>\$ (38,055)</u>	<u>\$ 8,703</u>	<u>\$ (29,352)</u>

As indicated in Table 2, the cost of *all governmental* activities this year was \$838,384. Of this amount, \$394,454 was subsidized with revenue generated from charges for services and grants with the remaining costs financed with general revenues which consisted mainly of property taxes and state share revenues. The Village's governmental activities experienced a decrease in net assets of \$38,055. The decrease in net assets differs from the change in fund balance. A reconciliation of the change in fund balances of the governmental funds to the change in net assets appears on page 16.

As indicated in Table 2, the cost of all business-type activities this year was \$398,550. The sewer system purchases sewer processing services through the South Huron Valley Utility Authority and the water system purchases water from the City of Detroit. These systems are financed by charges to the Village customers and by transfers from the General Fund.

VILLAGE OF SOUTH ROCKWOOD

Management's Discussion and Analysis *Year Ended June 30, 2004*

Fund Financial Analysis

As noted earlier, the Village uses funds to help control and manage money for particular purposes. Looking at funds helps the reader consider whether the Village of South Rockwood is being held accountable for the resources taxpayers and others provide to it and may give more insight into the Village's overall financial health.

As the Village completed this year, the funds accounting for the governmental activities reported a combined fund balance of \$682,076, which is a decrease of \$88,402 from last year. The changes by major and nonmajor funds are as follows:

	General Fund	Local Street Funds	Nonmajor Funds	Total
Fund balances -				
Beginning of Year	\$118,493	\$278,354	\$373,631	\$770,478
Increase (decrease)	(32,897)	(62,562)	7,057	(88,402)
Fund balances -				
End of year	<u>\$ 85,596</u>	<u>\$215,792</u>	<u>\$380,688</u>	<u>\$682,076</u>

The Village's General Fund balance decrease is due to many factors. Fines and forfeits decreased 48.6% from the prior year due to a shortage of police officials on patrol. Other revenues were higher due to an increase of \$36,654 in administrative fees charged to the other funds. Revenue also increased as a result of a capital lease used to finance the purchase of a police car. Expenditures were 5.6% less than the prior year partly due to a reduction in personnel and a reduction in the Village office hours. In the current year, the Village allocated payroll taxes and benefits to the various departments to accurately reflect the true cost of the departments. These expenses were included in Other Expense in the prior year. The tables that follow assist in illustrating the financial activities of the General Fund.

	June 30, 2004	June 30, 2003	Percent Change
Revenues			
Property taxes	\$401,110	\$384,181	4.4 %
Licenses and permits	39,650	49,382	(19.7) %
State grants	121,427	126,780	(4.2) %
Charges for services	44,799	39,154	14.4 %
Fines and forfeits	13,294	25,895	(48.6) %
Interest	1,214	3,857	(68.5) %
Other	93,893	54,269	73.0 %
Proceeds from Capital Lease	34,829	-	100.0 %
Total Revenues	<u>\$750,216</u>	<u>\$683,518</u>	10.0 %

VILLAGE OF SOUTH ROCKWOOD

Management's Discussion and Analysis *Year Ended June 30, 2004*

Fund Financial Analysis – Concluded

	<u>June 30, 2004</u>	<u>June 30, 2003</u>	<u>Percent Change</u>
Expenditures			
Legislative	\$ 8,652	\$ 16,507	(47.6)%
General government	144,959	176,998	(18.1)%
Public safety	270,835	219,530	23.4 %
Public works	148,103	121,572	21.8 %
Recreation and cultural	62,873	60,704	3.6 %
Other	15,194	107,846	(85.9)%
Operating transfers out	132,497	126,367	4.9 %
Total Expenditures	<u>\$783,113</u>	<u>\$829,524</u>	(5.6)%

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires the Village Council to adopt the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. Over the course of the year, the Village revises its budget as it attempts to deal with the unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule illustrating the Village's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

The revisions made to the original budget and the final amended budgets were relatively minor. Original revenues of \$728,087 were decreased 3% to \$703,450, and original expenditures of \$696,575 were decreased 1% to \$688,938. Differences between final amended budget and actual amounts were also minor. Actual revenues and expenditures were 2% greater and 6% less than their respective final budgeted amounts.

Capital Assets

Capital Assets

At June 30, 2004, the Village had \$6,206,723 invested in a broad range of capital assets, including land, land improvements, building and improvements, machinery and equipment, vehicles, and sewer and water lines. This amount represents a net increase (including additions and disposals) of \$724,678 from last year. This year's additions included a police car, cemetery gates, a utility vacuum trailer, and water lines. Depreciation for this year totaled \$92,611. Detailed information regarding capital assets is included in Note 7 to the Financial Statements.

Debt

At June 30, 2004, the Village had Long Term Debt totaling \$1,784,124. Of this amount, \$1,470,000 comprises debt contracted with the County of Monroe for the Monroe County Water Supply System Bonds. Another \$239,467 represents debt owed for the 1991 and 1998 Sewer Bonds. The remaining \$74,657 includes \$34,775 of compensated absences accumulated by Village employees and \$39,882 of capital lease obligations incurred for the purchase of a police car and two tractors. Detailed information regarding Village debt is included in Note 8 to the financial statements.

VILLAGE OF SOUTH ROCKWOOD

Management's Discussion and Analysis
Year Ended June 30, 2004

Contacting the Village of South Rockwood

This financial report is designed to provide the Village's citizens, taxpayers, customers, investors and creditors with a general overview of the Village's finances and to demonstrate their accountability for the money it receives. If you have questions about this report or need additional information, contact the Village of South Rockwood, P.O. Box 85, South Rockwood, MI 48179.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

VILLAGE OF SOUTH ROCKWOOD

Statement of Net Assets *June 30, 2004*

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$638,289	\$281,007	\$919,296
Investments	101,185	0	101,185
Accounts/taxes receivable	6,977	73,155	80,132
Due from other governmental units	37,626	0	37,626
Internal balances	12,247	(12,247)	0
Prepaid expenses	4,681	0	4,681
Depreciable capital assets, net	398,367	4,620,666	5,019,033
Connection fees receivable - noncurrent	0	2,530	2,530
 Total Assets	 1,199,372	 4,965,111	 6,164,483
Liabilities			
Accounts payable	6,580	23,479	30,059
Accrued and other liabilities	17,272	10,491	27,763
Long-term liabilities:			
Due within one year	24,011	77,667	101,678
Due in more than one year	50,646	1,631,800	1,682,446
 Total Liabilities	 98,509	 1,743,437	 1,841,946
Net Assets			
Invested in capital assets, net of related debt	358,485	2,911,199	3,269,684
Restricted for drug enforcement / education	4,099	0	4,099
Unrestricted	738,279	310,475	1,048,754
 Total Net Assets	 \$1,100,863	 \$3,221,674	 \$4,322,537

See Notes to Financial Statements.

VILLAGE OF SOUTH ROCKWOOD

Statement of Activities Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government -			
Governmental activities:			
Legislative	\$8.652	\$0	\$0
General government	193.662	93.275	0
Public safety	234.874	52.944	1,211
Public works	316.543	107.478	114,990
Recreation and cultural	69.459	24,556	0
Other	15,194	0	0
Total Governmental Activities	838.384	278.253	116,201
Business-type activities:			
Sewer	205.759	131,944	0
Water	192.791	115,638	0
Total business type activities	398.550	247,582	0
Total primary government	\$1,236,934	\$525,835	\$116,201

General Revenues:

Property taxes
State grants
Debt service and connection charges
Interest and investment earnings
Other
Transfers

Total general revenues & transfers

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

See Notes to Financial Statements.

Net (Expense) Revenue and
Changes in Net Assets
Primary Government

Governmental Activities	Business-type Activities	Total
(\$8,652)	\$0	(\$8,652)
(100,387)	0	(100,387)
(180,719)	0	(180,719)
(94,075)	0	(94,075)
(44,903)	0	(44,903)
(15,194)	0	(15,194)
(443,930)	0	(443,930)
0	(73,815)	(73,815)
0	(77,153)	(77,153)
0	(150,968)	(150,968)
(443,930)	(150,968)	(594,898)
401,110	0	401,110
114,453	0	114,453
0	28,584	28,584
6,452	3,590	10,042
11,357	0	11,357
(127,497)	127,497	0
405,875	159,671	565,546
(38,055)	8,703	(29,352)
1,138,918	3,212,971	4,351,889
<u>\$1,100,863</u>	<u>\$3,221,674</u>	<u>\$4,322,537</u>

FUND FINANCIAL STATEMENTS

VILLAGE OF SOUTH ROCKWOOD

Governmental Funds Balance Sheet June 30, 2004

	General Fund	Local Street Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$57,376	\$218,775	\$282,533	\$558,684
Investments	0	0	101,185	101,185
Accounts/taxes receivable	5,639	0	1,338	6,977
Due from other governmental units	37,626	0	0	37,626
Due from other funds	11,964	0	0	11,964
Prepaid expense	4,681	0	0	4,681
Total Assets	<u>\$117,286</u>	<u>\$218,775</u>	<u>\$385,056</u>	<u>\$721,117</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$6,580	\$0	\$0	6,580
Due to other funds	7,838	2,983	4,368	15,189
Escrow accounts	17,272	0	0	17,272
Total Liabilities	31,690	2,983	4,368	39,041
Fund Balances				
Reserved for prepaid expenses	4,681	0	0	4,681
Reserved for drug enforcement / education	4,099	0	0	4,099
Unreserved - designated for future projects	134,709	0	0	134,709
Unreserved - undesignated	(57,893)	215,792	380,688	538,587
Total Fund Balances	<u>85,596</u>	<u>215,792</u>	<u>380,688</u>	<u>682,076</u>
Total Liabilities and Fund Balances	<u>\$117,286</u>	<u>\$218,775</u>	<u>\$385,056</u>	<u>\$721,117</u>

See Notes to Financial Statements.

VILLAGE OF SOUTH ROCKWOOD

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets Year Ended June 30, 2004

Total Fund Balances - Governmental Funds		\$682,076
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	\$433,000	
Accumulated depreciation is	<u>(171,549)</u>	261,451
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Obligations under capital lease	(26,271)	
Compensated absences	<u>(34,775)</u>	(61,046)
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are reported with the governmental activities.		<u>218,382</u>
Total Net Assets - Governmental Activities		<u>\$1,100,863</u>

See Notes to Financial Statements.

VILLAGE OF SOUTH ROCKWOOD

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances Year Ended June 30, 2004

	General Fund	Local Street Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$401,110	\$0	\$0	\$401,110
Licenses and permits	39,650	0	0	39,650
State grants	121,427	33,173	76,054	230,654
Charges for services	44,799	0	35,275	80,074
Fines and forfeits	13,294	0	0	13,294
Interest/investment income	1,214	1,923	2,665	5,802
Other revenue	93,893	0	20	93,913
Total Revenues	715,387	35,096	114,014	864,497
Expenditures				
Current Operating:				
Legislative	8,652	0	0	8,652
General government	144,959	0	45,842	190,801
Public safety	270,835	0	0	270,835
Public works	148,103	112,658	51,115	311,876
Recreation and cultural	62,873	0	0	62,873
Other	15,194	0	0	15,194
Total Expenditures	650,616	112,658	96,957	860,231
Excess (Deficiency) of Revenues Over Expenditures	64,771	(77,562)	17,057	4,266
Other Financing Sources (Uses)				
Proceeds from capital lease	34,829	0	0	34,829
Operating transfers in	0	15,000	0	15,000
Operating transfers out	(132,497)	0	(10,000)	(142,497)
Total Other Financing Sources (Uses)	(97,668)	15,000	(10,000)	(92,668)
Net Change in Fund Balances	(32,897)	(62,562)	7,057	(88,402)
Fund Balances - Beginning of year	118,493	278,354	373,631	770,478
Fund Balances - End of year	\$85,596	\$215,792	\$380,688	\$682,076

See Notes to Financial Statements.

VILLAGE OF SOUTH ROCKWOOD

*Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2004*

Total Net Change in Fund Balances - Governmental Funds (S88,402)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(S23,144)	
Capital outlay	<u>104,034</u>	80,890

Increases in the liability for compensated absences are reported as an expenditure in the statement of activities, but not in the government funds. (4,739)

Repayments of capital lease principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt). 12,404

Capital leases are reported as proceeds in the Other Financing Sources section of the governmental fund financial statements. The capital lease obligation is reported as a liability in the Statement of Net Assets. (34,829)

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net (expense) of the Internal Service Funds is reported with Governmental activities. (3,379)

Change in Net Assets of Governmental Activities (S38,055)

See Notes to Financial Statements.

VILLAGE OF SOUTH ROCKWOOD

Proprietary Funds Statement of Net Assets June 30, 2004

	Business-type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	Sewer	Water	Total	
Assets				
Current Assets:				
Cash	\$231,505	\$49,502	\$281,007	\$79,605
Receivables	49,107	24,048	73,155	0
Due from other funds	137,278	0	137,278	15,472
Total Current Assets	417,890	73,550	491,440	95,077
Capital Assets:	2,727,971	2,692,484	5,420,455	353,268
Less: Allowance for depreciation	(534,767)	(265,022)	(799,789)	(216,352)
Total Capital Assets	2,193,204	2,427,462	4,620,666	136,916
Other Assets:				
Connection fees receivable - noncurrent	2,530	0	2,530	0
Total Assets	2,613,624	2,501,012	5,114,636	231,993
Liabilities				
Current Liabilities:				
Accounts payable	13,558	9,921	23,479	0
Accrued interest payable	1,303	9,188	10,491	0
Due to other funds	0	149,525	149,525	0
Current portion of long-term debt	17,667	60,000	77,667	12,690
Total Current Liabilities	32,528	228,634	261,162	12,690
Noncurrent Liabilities:				
Long-term debt- net of current portion	221,800	1,410,000	1,631,800	921
Total Liabilities	254,328	1,638,634	1,892,962	13,611
Net Assets				
Invested in capital assets, net of related debt	1,953,737	957,462	2,911,199	135,995
Unrestricted	405,559	(95,084)	310,475	82,387
Total Net Assets	\$2,359,296	\$862,378	\$3,221,674	\$218,382

See Notes to Financial Statements.

VILLAGE OF SOUTH ROCKWOOD

Proprietary Funds *Statement of Revenues, Expenses, and changes in Fund Net Assets* *Year ended June 30, 2004*

	Business-type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	Sewer	Water	Total	
Operating Revenues				
Charges for services	\$128,167	\$99,204	\$227,371	\$62,679
Penalties	3,504	2,390	5,894	0
Tapping fees	0	13,600	13,600	0
Other revenue	273	444	717	0
Total Operating Revenues	131,944	115,638	247,582	62,679
Operating Expenses				
Water purchase	0	56,654	56,654	0
Transmission and distribution	1,228	56,574	57,802	59,253
Maintenance of lines	84,916	0	84,916	0
Processing of sewage	77,657	0	77,657	0
Office and Administration	36,579	35,210	71,789	6,000
Total Operating Expenses	200,380	148,438	348,818	65,253
Operating Income (Loss)	(68,436)	(32,800)	(101,236)	(2,574)
Non-operating Revenues (Expenses)				
Debt service charge	15,274	3,300	18,574	0
Connection fees	10,010	0	10,010	0
Interest income	2,686	904	3,590	650
Interest expense	(5,379)	(44,353)	(49,732)	(1,455)
Total Non-operating Revenues (Expenses)	22,591	(40,149)	(17,558)	(805)
Income (Loss) before Transfers	(45,845)	(72,949)	(118,794)	(3,379)
Transfers in	0	127,497	127,497	0
Change in Net Assets	(45,845)	54,548	8,703	(3,379)
Net Assets - Beginning of year	2,405,141	807,830	3,212,971	221,761
Net Assets - End of year	<u>\$2,359,296</u>	<u>\$862,378</u>	<u>\$3,221,674</u>	<u>\$218,382</u>

See Notes to Financial Statements.

VILLAGE OF SOUTH ROCKWOOD

Proprietary Funds Statement of Cash Flows Year ended June 30, 2004

	Business-type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	Sewer	Water	Total	
Cash Flows from Operating Activities:				
Receipts from customers	\$117,603	\$115,460	\$233,063	\$48,075
Payments to suppliers	(125,267)	(137,656)	(262,923)	(9,071)
Payments to employees	(10,610)	(30,853)	(41,463)	(20,255)
Payments to Internal Service funds and Administration Fees	(24,000)	(18,000)	(42,000)	(6,000)
Net cash provided by operating activities	(42,274)	(71,049)	(113,323)	12,749
Cash Flows from Noncapital Financing Activities:				
Transfers in	0	127,497	127,497	0
Advance to the Water Fund	(135,077)	0	(135,077)	0
Advance from the other funds	0	147,324	147,324	0
Net cash flows from noncapital financing activities	(135,077)	274,821	139,744	0
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	(116,697)	(482,326)	(599,023)	(22,544)
Proceeds from bonds payable	0	266,795	266,795	0
Principal payments on contracts payable	(17,356)	(60,000)	(77,356)	(11,834)
Interest paid	(5,490)	(35,165)	(40,655)	(1,455)
Debt service and connection charges	27,924	3,300	31,224	0
Net Cash Used for Capital and Related Financing Activities	(111,619)	(307,396)	(419,015)	(35,833)
Cash Flows from Investing Activities:				
Interest income	2,686	904	3,590	650
Net Increase (Decrease) in Cash and Cash Equivalents	(286,284)	(102,720)	(389,004)	(22,434)
Cash and Cash Equivalents - Beginning of Year	517,789	152,222	670,011	102,039
Cash and Cash Equivalents - End of Year	<u>\$231,505</u>	<u>\$49,502</u>	<u>\$281,007</u>	<u>\$79,605</u>

See Notes to Financial Statements.

	Business-type Activities Enterprise Funds			Governmental Activities Internal Service
	Sewer	Water	Total	Equipment
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income (loss)	(\$68,436)	(\$32,801)	(\$101,237)	(\$2,574)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	26,945	12,596	39,541	29,927
Changes in operating assets and liabilities:				
Receivables	(14,341)	(178)	(14,519)	0
Due from other funds	0	0	0	(14,604)
Accounts payable	13,558	(50,666)	(37,108)	0
Net Cash Provided by Operating Activities	<u>(\$42,274)</u>	<u>(\$71,049)</u>	<u>(\$113,323)</u>	<u>\$12,749</u>

See Notes to Financial Statements.

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements

Year Ended June 30, 2004

Note 1 Description of the Village and Reporting Entity

The Village operates under a locally elected six member Board form of government. The Village provides the following services: public safety (police), highways and streets, sanitation, recreation and culture, public improvements, planning and zoning, cemetery, water and sewer, and general administrative services.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the Village consists of all funds, departments, boards, and agencies that are not legally separate from the Village.

Component units are legally separate organizations for which the Village is financially accountable. Component units may also include organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt, or the levying of taxes. The Village has no component units.

Note 2 Summary of Significant Accounting Policies

The financial statements of the Village of South Rockwood have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Village also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the Village's accounting policies.

Basis of Presentation

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. The Village's government-wide activities, which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities which rely, to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Amounts reported as program revenue include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. General revenue includes taxes, intergovernmental payments, and other items not properly included among program revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major governmental funds and the individual enterprise funds are reported as separate columns in the fund financial statements.

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements *Year Ended June 30, 2004*

Note 2 Summary of Significant Accounting Policies (Continued) Basis of Presentation (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Governmental fund expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

On the governmental funds statements, property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Village.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. The General Fund accounts for all financial resources of the Village, except those required to be accounted for in another fund.

The Local Street Fund accounts for gas and weight tax monies from the State of Michigan and expenditures for construction and maintenance of all local streets.

The Village reports the following major proprietary funds:

The Water Supply System Fund accounts for the operation and maintenance of the water supply system, capital additions and retirement of debt. Financing is provided by user charges and contributions by other funds.

The Sewage System Fund accounts for the operation and maintenance of the sewage disposal system, capital additions and retirement of debt. Financing is provided by user charges.

Additionally, the Village reports the following Internal Service fund type:

The Equipment Fund accounts for the financing and maintenance of machinery and equipment used by other Village departments. Such costs are billed to the other departments at rates established by the State of Michigan.

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements
Year Ended June 30, 2004

Note 2

Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Concluded)

The Township reports the following nonmajor governmental funds:

The Major Street Fund, Riverside Cemetery Fund, and Capital Projects Fund are the Village's nonmajor governmental funds. These funds are used to account for specific revenue sources that are restricted for a particular purpose.

In accordance with GASB Statement 20 the Village has elected not to apply the FASB statements and interpretations issued after November 30, 1989, to its financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Property Tax Receivable - Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. Taxes are considered delinquent March 1 of the following year.

Prepaid Assets - Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, water or sewer lines) are reported in the appreciable governmental or business-type activities columns of the government wide financial statements. Capital assets are defined by the Village as assets with an individual cost of more than \$1,000 and estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost when actual cost information is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements
Year Ended June 30, 2004

Note 2 Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

C. Assets, Liabilities, and Net Assets or Equity (Continued)

All reported capital assets, other than land, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	15 years
Buildings and buildings improvements	15-60 years
Machinery and equipment	3-15 years
Vehicles	5-10 years
Water and sewer lines	50-99 years
Roads	20 years

Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds." These amounts are eliminated in the governmental activities column of the statement of net assets. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Accrued Liabilities and Long-Term Obligations - In the government-wide financial statements and proprietary fund financial statements, long-term debt, notes and other obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets.

In general, payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Payments of long-term loans that are paid from governmental funds, are recognized as an expenditure on the governmental fund financial statements when due.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

Interfund Transactions - Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements Year Ended June 30, 2004

Note 2 Summary of Significant Accounting Policies (Concluded)

Basis of Presentation (Concluded)

C. Assets, Liabilities, and Net Assets or Equity (Concluded)

Fund Balance Reserves and Designations - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Compensated Absences - Village employees are granted vacation and personal days under formulas and conditions in the employees' contract. The vacation and personal pay is accrued in the government wide financial statements. In the fund financial statements, these amounts are reported when paid.

- D. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results may differ from those estimates.
- E. Extraordinary and Special Items - Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Village and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2004.
- F. Budgetary Policies - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The General Fund and all Special Revenue Funds are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Village Council at the function level. Any budgetary modifications may only be made by resolution of the Village Council.

The Village follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

1. Prior to June 30, the fiscal officer submits to the Village Council a proposed operating budget for the fiscal year commencing on July 1.
2. A public hearing is conducted during June to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. During the year the budget is monitored, and amendments to the budget deemed necessary are approved by the Village Council.
5. Budgets are adopted on basis consistent with accounting principles generally accepted in the United States of America.
6. Lapsing of Appropriations - At the close of each year all unspent appropriations revert to the respective funds from which they were appropriated and become subject to future appropriations.

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements *Year Ended June 30, 2004*

Note 3 Changes in Accounting Principles and Restatement of Fund Balance

Changes in Accounting Principles

For fiscal year 2004, the Village has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments*; GASB No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*, GASB No. 37, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, GASB No. 38, *Certain Financial Statement Note Disclosures*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. At July 1, 2003, there was no effect on fund balance as a result of implementing GASB Statements 36, 37, and 38.

GASB Statement No. 34 creates new basic financial statements for reporting on the Village financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

Restatement of Fund Balance

The restatements for GASB Statement No. 34 had the following effects on the transition from governmental fund balance to net assets of the governmental activities.

	Total Governmental Activities
Fund Balance June 30, 2003	\$ 770,478
GASB 34 Adjustments:	
Capital Assets, net of depreciation	180,561
Long-Term Liabilities	(33,882)
Internal Service Fund, net position	<u>221,761</u>
Governmental Activities Net Assets at June 30, 2003	<u>\$1,138,918</u>

Note 4 Stewardship, Accountability and Compliance

The Village shall not incur expenditures in excess of the amount appropriated. Annual budgets are adopted on a basis that is consistent with generally accepted accounting principles and State Law for the General and Special Revenue Funds.

In the required supplemental information, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis, which is the adopted legal level of control.

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements *Year Ended June 30, 2004*

Note 5 Cash and Investments

Statutes authorize the Village to invest in obligations of the U.S. Treasury, agencies and instrumentalities; commercial paper within the three highest rate classifications by at least two rating services; bankers' acceptances of U.S. banks, U.S. or agency repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, or credit unions which are insured with the applicable federal agency. Public funds of the Village may not be deposited in financial institutions located in states other than Michigan.

The Council has authorized one depository: Monroe Bank and Trust.

Deposits are carried at cost. The carrying amount of deposits is separately displayed on the balance sheet as "cash". The following is a summary of these deposits:

Carrying value of total deposits	<u>\$919,296</u>
Bank balance of deposits	\$938,034
Amount covered by FDIC	<u>100,000</u>
In uninsured and uncollateralized accounts	<u>\$838,034</u>

The Village's investments are categorized below to give an indication of the level of risk assumed by the entity at June 30, 2004. Category 1 includes investments that are insured, registered or for which the securities are held by the Village or its agent in the Village's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent in the Village's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Village's name.

	Category			Carrying Amount
	<u>1</u>	<u>2</u>	<u>3</u>	
U.S. government agencies	\$ -	\$ 52,649	\$ -	\$ 52,649
Corporate bonds	-	46,216	-	46,216
Savings accounts	-	<u>2,320</u>	-	<u>2,320</u>
Total Investments	<u>\$ -</u>	<u>\$101,185</u>	<u>\$ -</u>	<u>\$101,185</u>

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements
Year Ended June 30, 2004

Note 6 Interfund Receivables and Payables
Balances at June 30, 2004 were:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund:		
Water Fund	\$ 11,964	\$ -
Equipment fund	-	7,838
Major Street Fund:		
Equipment Fund	-	1,485
Local Street Fund:		
Equipment Fund	-	2,983
Cemetery Fund:		
Equipment Fund	-	2,883
Sewer Fund:		
Water Fund	137,278	-
Water Fund:		
General Fund	-	11,964
Sewer Fund	-	137,278
Equipment Fund	-	283
Equipment Fund:		
General	7,838	-
Major Street Fund	1,485	-
Local Street Fund	2,983	-
Cemetery	2,883	-
Water	<u>283</u>	<u>-</u>
	<u>\$164,714</u>	<u>\$164,714</u>

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements
Year Ended June 30, 2004

Note 7 Fixed Assets

A summary of changes in general fixed assets follows:

	Balance <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2004</u>
Governmental Activities:				
Assets not being depreciated:				
Land	\$39,000	\$0	\$0	\$39,000
Capital assets being depreciated:				
Building and building improvements	120,416	0	0	120,416
Land improvements	98,794	13,164	0	111,958
Police vehicles	29,825	34,829	0	64,654
Police equipment	22,916	0	0	22,916
Office equipment	18,015	0	0	18,015
Roads	0	56,041	0	56,041
Equipment Fund	<u>331,647</u>	<u>24,327</u>	<u>2,706</u>	<u>353,268</u>
Total capital assets	660,613	128,361	2,706	786,268
Less accumulated depreciation for:				
Building and building improvements	(63,756)	(3,777)	0	(67,533)
Land improvements	(40,905)	(7,171)	0	(48,076)
Police vehicles	(11,930)	(10,609)	0	(22,539)
Police equipment	(18,939)	(663)	0	(19,602)
Office equipment	(12,875)	(924)	0	(13,799)
Equipment Fund	<u>(187,349)</u>	<u>(29,927)</u>	<u>924</u>	<u>(216,352)</u>
Total accumulated depreciation	<u>(335,754)</u>	<u>(53,071)</u>	<u>924</u>	<u>(387,901)</u>
Net capital assets	<u>\$324,859</u>	<u>\$75,290</u>	<u>\$3,630</u>	<u>\$398,367</u>

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements
Year Ended June 30, 2004

Note 7 Fixed Assets (Continued)

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Business Activities:				
Assets not being depreciated:				
Land	\$3,410	\$0	\$0	\$3,410
Construction in progress	1,285,907	471,485	0	1,757,392
Capital assets being depreciated:				
Water lines	279,199	0	0	279,199
Sewer lines	1,855,485	116,698	0	1,972,183
Mains / meters	640,265	0	0	640,265
Sewer treatment plant	752,378	0	0	752,378
Equipment	4,788	10,840	0	15,628
Total capital assets	4,821,432	599,023	0	5,420,455
Less accumulated depreciation for:				
Water lines	(62,542)	(2,820)	0	(65,362)
Sewer lines	(368,780)	(14,407)	0	(383,187)
Mains / meters	(185,098)	(9,172)	0	(194,270)
Sewer treatment plant	(139,040)	(12,540)	0	(151,580)
Equipment	(4,788)	(602)	0	(5,390)
Total accumulated depreciation	(760,248)	(39,541)	0	(799,789)
Net capital assets	<u>\$4,061,184</u>	<u>\$559,482</u>	<u>\$0</u>	<u>\$4,620,666</u>

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements *Year Ended June 30, 2004*

Note 8

Long-Term Debt

The following is a summary of long-term debt outstanding as of June 30, 2004:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Maturity Dates</u>	<u>Original Amount of Issue</u>	<u>Balance Outstanding</u>
Contract Liability for: South Huron Valley Utility Authority - 1991 SRF Bonds	2.00%	9/26/91	4/1/2011	\$ 162,374	\$ 70,107
Contract Liability for: South Huron Valley Utility Authority - 1998 Sewer System Plant Expansion Bonds	2.25%	9/29/98	10/1/2020	195,620	169,360
Contract Liability for: Michigan Municipal Bond Authority - Monroe County Water Supply System Bonds Village of South Rockwood System No. 2.	2.50%	9/26/02	4/1/2023	1,530,000	<u>1,470,000</u>
					1,709,467
Obligations under Capital Leases:					
John Deere Credit Tractor Lease, payable \$2,391 quarterly, beginning September 1, 2002, including interest at 7.90% due June 1, 2005, secured by the tractor.	7.90%	9/1/02	6/1/2005	25,804	9,106
Kubota Credit Tractor Lease, payable \$931.52 quarterly, beginning November 13, 2002, including interest at 4.49%, due August 13, 2005, secured by the tractor.	4.49%	8/13/02	8/13/2005	10,404	4,505

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements Year Ended June 30, 2004

Note 8 Long-Term Debt (Continued)

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Maturity Dates</u>	<u>Original Amount of Issue</u>	<u>Balance Outstanding</u>
Obligations under Capital Leases:					
Ford Motor Credit Police Car Lease, payable \$3,101 quarterly, beginning October 29, 2003, including interest at 4.90% due July 29, 2006, secured by the car.	4.90%	10/29/03	7/29/2006	\$34,829	\$ <u>26,271</u>
					39,882
Compensated absences payable					<u>34,775</u>
					<u>\$1,784,124</u>

Compensated absences payable represents sick pay accrued as of June 30, 2004.

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements
Year Ended June 30, 2004

Note 8

Long-Term Debt (Continued)

The following is a summary of changes in long-term debt:

	Balance <u>June 30, 2003</u>	<u>Additions</u>	<u>Retired</u>	Balance <u>June 30, 2004</u>	Due Within <u>One Year</u>
Contract Liability for:					
South Huron Valley					
Utility Authority -1991					
S R F Bonds	\$ 79,378	\$ -	\$ 9,271	\$ 70,107	\$ 9,398
Contract Liability for:					
South Huron Valley					
Utility Authority - 1998					
Sewer System Plant					
Expansion Bonds	177,445	-	8,085	169,360	8,269
Contract Liability for:					
Michigan Municipal					
Bond Authority -					
Monroe County Water					
Supply System Bonds					
VSR System No. 2	<u>1,263,205</u>	<u>266,795</u>	<u>60,000</u>	<u>1,470,000</u>	<u>60,000</u>
	1,520,028	266,795	77,356	1,709,467	77,667
Obligations under Capital Leases:					
Police Car Lease	3,846	-	3,846	-	-
Tractor Lease	17,521	-	8,415	9,106	9,106
Tractor Lease	7,923	-	3,418	4,505	3,584
Police Car Lease	<u>-</u>	<u>34,829</u>	<u>8,558</u>	<u>26,271</u>	<u>11,321</u>
	29,290	34,829	24,237	39,882	24,011
Compensated absences	<u>30,036</u>	<u>4,739</u>	<u>-</u>	<u>34,775</u>	<u>-</u>
	<u>\$1,579,354</u>	<u>\$306,363</u>	<u>\$101,593</u>	<u>\$1,784,124</u>	<u>\$101,678</u>

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements *Year Ended June 30, 2004*

Note 8 Long-Term Debt (Continued)

Contract liability for South Huron Valley Utility Authority - 1991 SRF Bonds original issue of \$12,785,000 with the Village's share set at 1.27%, equaling \$162,374. The Bonds were issued September 26, 1991, by the County of Wayne:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
10/1/04	\$ -	\$ 701	\$ 701
04/1/05	9,398	701	10,099
10/1/05	-	607	607
04/1/06	9,589	607	10,196
10/1/06	-	511	511
04/1/07	9,843	511	10,354
10/1/07	-	413	413
04/1/08	10,033	413	10,446
10/1/08	-	312	312
04/1/09	10,224	312	10,536
10/1/09	-	210	210
04/1/10	10,414	210	10,624
10/1/10	-	106	106
04/1/11	<u>10,606</u>	<u>106</u>	<u>10,712</u>
	<u>\$70,107</u>	<u>\$5,720</u>	<u>\$75,827</u>

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements *Year Ended June 30, 2004*

Note 8

Long-Term Debt (Continued)

South Huron Valley Utility Authority - 1998 Sewer System Plant Expansion Bonds, original issue of \$26,615,000 dated September 29, 1998 with the Village's share set at 0.735%, equaling \$195,620.

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
10/1/04	\$ 8,269	\$ 1,905	\$ 10,174
04/1/05	-	1,812	1,812
10/1/05	8,489	1,812	10,301
04/1/06	-	1,717	1,717
10/1/06	8,673	1,717	10,390
04/1/07	-	1,619	1,619
10/1/07	8,857	1,619	10,476
04/1/08	-	1,520	1,520
10/1/08	9,077	1,520	10,597
04/1/09	-	1,417	1,417
10/1/09	9,261	1,417	10,678
04/1/10	-	1,313	1,313
10/1/10	9,482	1,313	10,795
04/1/11	-	1,207	1,207
10/1/11	9,702	1,207	10,909
04/1/12	-	1,097	1,097
10/1/12	9,923	1,097	11,020
04/1/13	-	986	986
10/1/13	10,106	986	11,092
04/1/14	-	872	872
10/1/14	10,327	872	11,199
04/1/15	-	756	756
10/1/15	10,584	756	11,340
04/1/16	-	637	637
10/1/16	10,805	637	11,442
04/1/17	-	515	515
10/1/17	11,062	515	11,577
04/1/18	-	391	391
10/1/18	11,319	391	11,710
04/1/19	-	264	264
10/1/19	11,576	264	11,840
04/1/20	-	133	133
10/1/20	<u>11,848</u>	<u>133</u>	<u>11,981</u>
	<u>\$169,360</u>	<u>\$34,417</u>	<u>\$203,777</u>

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements

Year Ended June 30, 2004

Note 8

Long-Term Debt (Continued)

Michigan Municipal Bond Authority - Monroe County Water Supply System Bonds, Village of South Rockwood System #2, original issue of \$1,530,000 dated September 26, 2002.

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
10/1/04	\$ -	\$ 18,375	\$ 18,375
04/1/05	60,000	18,375	78,375
10/1/05	-	17,625	17,625
04/1/06	65,000	17,625	82,625
10/1/06	-	16,812	16,812
04/1/07	65,000	16,813	81,813
10/1/07	-	16,000	16,000
04/1/08	65,000	16,000	81,000
10/1/08	-	15,187	15,187
04/1/09	70,000	15,188	85,188
10/1/09	-	14,312	14,312
04/1/10	70,000	14,313	84,313
10/1/10	-	13,437	13,437
04/1/11	70,000	13,438	83,438
10/1/11	-	12,562	12,562
04/1/12	75,000	12,563	87,563
10/1/12	-	11,625	11,625
04/1/13	75,000	11,625	86,625
10/1/13	-	10,687	10,687
04/1/14	75,000	10,688	85,688
10/1/14	-	9,750	9,750
04/1/15	80,000	9,750	89,750
10/1/15	-	8,750	8,750
04/1/16	80,000	8,750	88,750
10/1/16	-	7,750	7,750
04/1/17	80,000	7,750	87,750
10/1/17	-	6,750	6,750
04/1/18	85,000	6,750	91,750
10/1/18	-	5,688	5,688
04/1/19	85,000	5,688	90,688
10/1/19	-	4,625	4,625
04/1/20	90,000	4,625	94,625
10/1/20	-	3,500	3,500
04/1/21	90,000	3,500	93,500
10/1/21	-	2,375	2,375
04/1/22	95,000	2,375	97,375
10/1/22	-	1,187	1,187
04/1/23	<u>95,000</u>	<u>1,187</u>	<u>96,187</u>
	<u>\$1,470,000</u>	<u>\$394,000</u>	<u>\$1,864,000</u>

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements Year Ended June 30, 2004

Note 8 Long-Term Debt (Concluded)

The annual requirements to pay principal and interest on the long-term debt outstanding at June 30, 2004, excluding compensated absences, are as follows:

<u>Fiscal Years</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004 - 2005	\$24,011	\$1,681	\$25,692
2005 - 2006	12,808	527	13,335
2006 - 2007	<u>3,063</u>	<u>37</u>	<u>3,100</u>
	<u>\$39,882</u>	<u>\$2,245</u>	<u>\$42,127</u>

<u>Fiscal Years</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004 - 2005	\$ 77,667	\$ 41,869	\$ 119,536
2005 - 2006	83,078	39,993	123,071
2006 - 2007	83,516	37,983	121,499
2007 - 2008	83,890	35,965	119,855
2008 - 2009	89,301	33,936	123,237
2009 - 2014	434,494	137,377	571,871
2014 - 2019	464,097	83,110	547,207
2019 - 2023	<u>393,424</u>	<u>23,904</u>	<u>417,328</u>
	<u>\$1,709,467</u>	<u>\$434,137</u>	<u>\$2,143,604</u>

Note 9 Deferred Compensation Plan

The Village offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and administered by the Public Employees Benefit Services Corporation (PEBSCO), as agent for the United States Conference of Mayors (USCM) of Washington, D.C. The Plan, available to all Village employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the Plan, all property rights purchased with those amounts, and all income attributable to those amounts, property, or rights must be held in trust for the exclusive benefit of employees. While the contract is held by the Village of South Rockwood, the assets of the plan are held for the exclusive benefit of plan participants and their beneficiaries. The plan assets cannot be used to satisfy claims of general creditors. Therefore, the amount held in trust is not shown on the balance sheet.

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements *Year Ended June 30, 2004*

Note 10 Cablevision Franchise Fees

On October 18, 1982, the Village Council decided that all monies received from Wayne Cablevision for franchise fees would be accumulated, along with applicable interest, until it decides how the money will be spent. During the fiscal year ending June 30, 2004, the Village did not spend any of these monies. As of June 30, 2004, \$134,709 has been accumulated.

Note 11 Property Taxes

Under its charter, the Village may levy up to 20 mills for general operating purposes. Taxes are levied on July 1 each year and are collected by the Village from July 1 to September 15. The property tax revenue is recognized in the period that the tax was levied. The taxable value for both real and personal property as of December 31, 2002 amounted to \$31,874,186 which represents a percentage of the fair market value of the assessed property.

The 2003 tax roll consisted of 12.5 mills levied for the General Fund. The Village budgeted four of the 12.5 mills as a contribution to the Water Supply System Fund amounting to \$127,497.

Note 12 Sharing of Administrative and General Expenses

As a method of prorating certain administrative and general expenses to the various funds of the Village, the Village Council adopted, as part of the annual budget, a schedule of payments to be made to the General Fund by the various funds to cover their share of the designated expenses. The following schedule of payments was included in the 2003-04 budget:

Major Street Fund	\$ 7,000
Local Street Fund	3,000
Sewage System Fund	24,000
Water Supply fund	18,000
Equipment Fund	<u>6,000</u>
Total	<u>\$58,000</u>

Note 13 Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions and employee injuries (workman's compensation). The Village has purchased commercial insurance for property loss, torts, errors, omissions and employee injuries.

Note 14 Charges for Services

Charges for users and beneficiaries of the Water Supply System and Sewer System Enterprise Funds consist of the following:

Water Supply System:

Water sales - a water charge is billed at rates established by the Village based on water consumption.

VILLAGE OF SOUTH ROCKWOOD

Notes to Financial Statements
Year Ended June 30, 2004

Note 14 Charges for Services (Concluded)

Debt service charge - a debt service charge of \$5.00 per quarter is charged to each user to a maximum of \$300. Effective December 31, 2001, the \$300 charge is paid prior to connection to the water system.

Sewer System:

Sewage treatment charge - a sewer treatment charge is billed at rates established by the Village based on water consumption.

Sewer maintenance charge - a sewer maintenance charge of \$4.00 per month is charged to each customer of the system.

Debt service charge - a debt service charge of \$2.36 per month per unit is charged to each user of the system.

Note 15 Operating Transfers In and Out

The excess of operating transfers out over operating transfers in the amount of \$127,497 consists of a transfer from the General Fund to the Water Supply System Fund.

Note 16 Drug Forfeiture Funds

During the year ending June 30, 2004, the Village received \$2,509 of drug forfeiture funds, earned \$29 in interest on drug forfeiture funds and expended none of these funds for drug enforcement and education. As of June 30, 2004, the Village has \$4,099 on hand for future related expenditures.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF SOUTH ROCKWOOD

General Fund Statement of Revenues, Expenditures, and Fund Balance Budget and Actual Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$401,927	\$398,727	\$401,110	\$2,383
Licenses and permits	37,000	40,500	39,650	(850)
State grants:				
State shared revenue	125,000	117,900	114,453	(3,447)
Right of way	0	5,763	5,763	0
Liquor license fees	1,218	1,208	1,211	3
	<u>126,218</u>	<u>124,871</u>	<u>121,427</u>	<u>(3,444)</u>
Charges for services:				
Weed cutting	250	50	59	9
Refuse collection	36,000	36,000	43,537	7,537
Other	542	532	1,203	671
	<u>36,792</u>	<u>36,582</u>	<u>44,799</u>	<u>8,217</u>
Fines and forfeits	25,000	10,000	13,294	3,294
Interest income	3,500	1,000	1,214	214
Other revenue:				
Summer recreation program	29,150	23,270	24,556	1,286
Administration expenses	68,000	58,000	58,000	0
Other revenue	500	10,500	11,337	837
	<u>97,650</u>	<u>91,770</u>	<u>93,893</u>	<u>2,123</u>
Total Revenues	728,087	703,450	715,387	11,937
Expenditures				
Legislative:				
Council	16,164	10,079	8,652	1,427
General government:				
President	724	784	667	117
Audit fees	10,500	10,500	10,500	0
Legal fees	13,708	7,708	7,688	20
Clerk	84,364	74,164	76,750	(2,586)
Treasurer	12,413	11,463	10,550	913
Village hall and grounds	45,842	40,142	38,754	1,388
Promotional	50	50	50	0
	<u>167,601</u>	<u>144,811</u>	<u>144,959</u>	<u>(148)</u>

VILLAGE OF SOUTH ROCKWOOD

General Fund Statement of Revenues, Expenditures, and Fund Balance Budget and Actual Year Ended June 30, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Expenditures (Concluded)				
Public safety:				
Police department	\$214,633	\$221,333	\$218,980	\$2,353
Building inspection	15,300	17,500	17,404	96
Electrical inspection	9,100	5,100	4,986	114
Plumbing inspection	10,671	13,671	12,659	1,012
Zoning board	1,115	1,215	535	680
Ordinance enforcer	3,513	3,513	1,864	1,649
Planning commision	15,400	16,900	14,407	2,493
	269,732	279,232	270,835	8,397
Public works:				
Department of Public Works	47,277	54,577	58,976	(4,399)
Street lighting	16,000	16,000	15,754	246
Sanitation	45,062	48,062	46,082	1,980
Engineer	7,000	9,000	8,968	32
Recycling	21,064	20,764	18,323	2,441
	136,403	148,403	148,103	300
Recreation and cultural:				
Playground	33,661	42,461	27,643	14,818
Youth program	450	450	292	158
Summer recreation program	48,614	42,734	34,938	7,796
	82,725	85,645	62,873	22,772
Other:				
Insurance and bonds	12,000	16,500	15,194	1,306
Contingencies	11,950	4,268	0	4,268
	23,950	20,768	15,194	5,574
Total Expenditures	696,575	688,938	650,616	38,322
Excess (Deficiency) of Revenues Over Expenditures	31,512	14,512	64,771	50,259
Other Financing Sources (Uses)				
Proceeds from capital lease	0	32,000	34,829	2,829
Operating transfer in	15,000	0	0	0
Operating transfer out	(132,497)	(132,497)	(132,497)	0
Total Other Financing Sources (Uses)	(117,497)	(100,497)	(97,668)	2,829
Net Change in Fund Balances	(85,985)	(85,985)	(32,897)	53,088
Fund Balances - Beginning of year	85,985	85,985	118,493	32,508
Fund Balances - End of year	\$0	\$0	\$85,596	\$85,596

VILLAGE OF SOUTH ROCKWOOD

Local Street Fund Statement of Revenues, Expenditures, and Fund Balance Budget and Actual Year Ended June 30, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
State grants:				
Gas and weight tax	\$24,000	\$31,000	\$31,123	\$123
Local program funds	1,000	1,000	2,050	1,050
	25,000	32,000	33,173	1,173
Interest income	2,300	2,000	1,923	(77)
 Total Revenues	 27,300	 34,000	 35,096	 1,096
 Expenditures				
Public works:				
Construction	85,000	85,000	56,041	28,959
Routine maintenance	35,000	68,000	48,154	19,846
Traffic services	2,200	2,200	2,155	45
Winter maintenance	3,000	3,500	3,308	192
Administrative and engineering	9,500	4,500	3,000	1,500
Contingencies	177,350	155,550	0	155,550
 Total Expenditures	 312,050	 318,750	 112,658	 206,092
 Excess (Deficiency) of Revenues Over Expenditures	 (284,750)	 (284,750)	 (77,562)	 207,188
 Other Financing Sources (Uses)				
Operating transfer in	15,000	15,000	15,000	0
 Net Change in Fund Balances	 (269,750)	 (269,750)	 (62,562)	 207,188
 Fund Balances - Beginning of year	 269,750	 269,750	 278,354	 8,604
 Fund Balances - End of year	 \$0	 \$0	 \$215,792	 \$215,792

OTHER SUPPLEMENTAL INFORMATION

VILLAGE OF SOUTH ROCKWOOD

Nonmajor Governmental Funds Combining Balance Sheet June 30, 2004

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	<u>Major Street</u>	<u>Cemetery</u>	<u>Capital Projects</u>	
Assets				
Cash and cash equivalents	\$157,669	\$100,119	\$24,745	\$282,533
Investments	0	101,185	0	101,185
Accounts receivable	1,338	0	0	1,338
Total Assets	<u>\$159,007</u>	<u>\$201,304</u>	<u>\$24,745</u>	<u>\$385,056</u>
Liabilities				
Due to other funds	<u>\$1,485</u>	<u>\$2,883</u>	<u>\$0</u>	<u>\$4,368</u>
Total Liabilities	1,485	2,883	0	4,368
Fund balances				
Unreserved	<u>157,522</u>	<u>198,421</u>	<u>24,745</u>	<u>380,688</u>
Total Liabilities and Fund balances	<u>\$159,007</u>	<u>\$201,304</u>	<u>\$24,745</u>	<u>\$385,056</u>

See Notes to Financial Statements.

VILLAGE OF SOUTH ROCKWOOD

Nonmajor Governmental Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Year Ended June 30, 2004

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Major Street	Cemetery	Capital Projects	
Revenues				
State grants	\$76,054	\$0	\$0	\$76,054
Charges for services	0	35,275	0	35,275
Interest/investment income	1,123	1,365	177	2,665
Other revenue	0	20	0	20
Total Revenues	77,177	36,660	177	114,014
Expenditures				
Current Operating:				
General government	0	45,842	0	45,842
Public works	51,115	0	0	51,115
Total Expenditures	51,115	45,842	0	96,957
Excess (Deficiency) of Revenues Over Expenditures	26,062	(9,182)	177	17,057
Other Financing Sources (Uses)				
Operating transfers out	(10,000)	0	0	(10,000)
Total Other Financing Sources (Uses)	(10,000)	0	0	(10,000)
Net Change in Fund Balances	16,062	(9,182)	177	7,057
Fund Balances - Beginning of year	141,460	207,603	24,568	373,631
Fund Balances - End of year	\$157,522	\$198,421	\$24,745	\$380,688

See Notes to Financial Statements.

VILLAGE OF SOUTH ROCKWOOD

Major Street Fund Statement of Revenues, Expenditures, and Fund Balance Budget and Actual Year Ended June 30, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
State grants:				
Gas and weight tax	\$60,000	\$71,000	\$73,619	\$2,619
Local program funds	3,000	2,500	2,435	(65)
	63,000	73,500	76,054	2,554
Interest income	1,000	1,000	1,123	123
Total Revenues	64,000	74,500	77,177	2,677
Expenditures				
Public works:				
Construction	5,000	5,000	0	5,000
Routine maintenance	18,000	24,000	32,865	(8,865)
Traffic services	6,500	6,500	2,704	3,796
Winter maintenance	10,000	10,000	8,221	1,779
Administrative and engineering	12,000	16,500	7,325	9,175
Contingencies	178,740	178,740	0	178,740
Total Expenditures	230,240	240,740	51,115	189,625
Excess (Deficiency) of Revenues Over Expenditures	(166,240)	(166,240)	26,062	192,302
Other Financing Sources (Uses)				
Operating transfer out	(10,000)	(10,000)	(10,000)	0
Net Change in Fund Balances	(176,240)	(176,240)	16,062	192,302
Fund Balances - Beginning of year	176,240	176,240	141,460	(34,780)
Fund Balances - End of year	\$0	\$0	\$157,522	\$157,522

VILLAGE OF SOUTH ROCKWOOD

Riverside Cemetery Fund Statement of Revenues, Expenditures, and Fund Balance Budget and Actual Year Ended June 30, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Charges for services:				
Perpetual care fees	\$500	\$500	\$1,050	\$550
Grave opening / closing fees	6,000	6,000	10,800	4,800
Sale of lots	4,800	10,100	20,000	9,900
Monument footing fees	1,000	1,000	3,425	2,425
	12,300	17,600	35,275	17,675
Interest / investment income	1,200	700	1,365	665
Other revenue	0	0	20	20
 Total Revenues	 13,500	 18,300	 36,660	 18,360
 Expenditures				
Cemetery:				
Sexton	5,400	5,400	4,800	600
Record keeping / administration	1,600	1,600	1,700	(100)
Grave opening / closing	9,500	10,700	9,378	1,322
Ground upkeep / maintenance	31,300	34,900	29,964	4,936
Contingencies	145,423	145,423	0	145,423
 Total Expenditures	 193,223	 198,023	 45,842	 152,181
 Excess (Deficiency) of Revenues Over Expenditures	 (179,723)	 (179,723)	 (9,182)	 170,541
 Fund Balances - Beginning of year	 179,723	 179,723	 207,603	 27,880
Fund Balances - End of year	\$0	\$0	\$198,421	\$198,421

VILLAGE OF SOUTH ROCKWOOD

Capital Projects Fund Statement of Revenues, Expenditures, and Fund Balance Budget and Actual Year Ended June 30, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Interest income	\$300	\$300	\$177	(\$123)
Total Revenues	300	300	177	(123)
Expenditures				
Other	9,773	9,773	0	9,773
Total Expenditures	9,773	9,773	0	9,773
Excess (Deficiency) of Revenues Over Expenditures	(9,473)	(9,473)	177	9,650
Other Financing Sources (Uses)				
Operating transfer out	(15,000)	(15,000)	0	15,000
Net Change in Fund Balances	(24,473)	(24,473)	177	24,650
Fund Balances - Beginning of year	24,473	24,473	24,568	95
Fund Balances - End of year	\$0	\$0	\$24,745	\$24,745



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Report of Comments and Recommendations

Our audit of the financial statements of the Village of South Rockwood for the fiscal year ended June 30, 2004 was made in accordance with auditing standards generally accepted in the United States of America. These standards require, in addition to obtaining competent evidential matter through inspection, observation, inquiry, and confirmation, that we determine that existing internal controls, accounting procedures, and accounting records are adequate to allow us to express an opinion on the financial statements of the Village. During the course of our audit, we noted certain practices and procedures which we believe could be changed to improve existing internal controls, accounting procedures, accounting records, and other matters.

Our comments on these items are set forth herein for your review and have been discussed with appropriate personnel. These comments are based primarily upon procedures employed during our audit and therefore do not encompass all matters that might result from special studies directed toward such matters.

Sewer Taps and Receivables

During the audit, we noted that the process of recording the sale of sewer taps, and the associated sewer tap receivable are areas which need improvement. Duplicate sewer tap permit numbers, out of sequence use of sewer tap permits, and incorrect posting of sewer accounts receivable were all noted during the audit. We recommend the Village begin using prenumbered sequential sewer tap permit cards. When a tap is sold, a copy of the permit should be attached to the receipt and a copy should be filed in order with other sewer card permits. The recording of payments on sewer taps receivable should be posted in the general ledger against the receivable balance, and the customer's sewer card should reflect the balance due at the end of the fiscal year. The sum of sewer card balances should reconcile with the general ledger balance. Also, when a customer makes a payment on their balance, the date, amount paid, and receipt number should be recorded on their sewer card.

New Reporting Model

For the fiscal year ending June 30, 2004, the Village implemented GASB No. 34. This new reporting model created new financial statements and has a new section entitled *Management's Discussion and Analysis* which is a narrative introduction, overview and analysis of the current year activity.

We wish to express our appreciation for the continuing cooperation and courtesy extended to us by all officers and employees of the Village. We would be pleased to discuss any of these recommendations with you and to provide any assistance that you may require in their implementation.

Very truly yours,

October 19, 2004